

# OFFICE OF AUDITS & ADVISORY SERVICES



## AUDIT OF COUNTYWIDE INTERNAL AGENCY FUND ADMINISTRATION

### *FINAL AUDIT REPORT*

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Senior Audit Manager: [Tom Philipp, CIA, CCSA](#)  
Supervising Senior Auditor: [Yuki Matsuura, CPA, CCSA](#)  
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# County of San Diego

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September 30, 2011

**TO:** Nick Macchione, Director, Health & Human Services Agency  
Ernest J. Dronenburg, Assessor/Recorder/County Clerk  
Dawn Danielson, Director, Department of Animal Services  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller

**FROM:** James L. Pelletier  
Chief of Audits

## FINAL REPORT: AUDIT OF COUNTYWIDE INTERNAL AGENCY FUND ADMINISTRATION

Enclosed is our report on the audit of Countywide Internal Agency Fund Administration. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Yuki Matsuura at (858) 495-5659.

If you have any questions, please contact me at (858) 495-5661.

**JAMES L. PELLETIER**  
Chief of Audits

AUD:YM:aps

Enclosure

- c: Mikel D. Haas, Deputy Chief Administrative Officer, Community Services Group  
Donald F. Steuer, Chief Financial Officer  
Kaye Hobson, Group Finance Director, Community Services Group  
Brian M. Hagerty, Group Finance Director, Finance & General Government Group  
Michael Van Mouwerik, Executive Finance Director, Health & Human Services Agency

## INTRODUCTION

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**Audit Objective** The Office of Audits & Advisory Services (OAAS) completed an audit of the Countywide Internal Agency Fund Administration. The objective of the audit was to determine whether Internal Agency Funds are properly administered, utilized, and accounted for in accordance with applicable laws, regulations, accounting standards, and County policies and procedures.

**Background** County departments utilize various trust funds as internal accounts for amounts that have yet to be allocated to individual funds. These trust funds are defined as "Internal Agency Funds" in the Government Finance Officers Association's Governmental Accounting, Auditing, and Financial Reporting (Blue Book) used by the County, and are distinguished from the Fiduciary Funds (i.e., Pension Trust Funds, Investment Trust Funds, Property Tax Collection Funds, and Other Agency Funds). According to the Blue Book, Generally Accepted Accounting Principles expressly limit the use of Fiduciary Funds to assets "held in a trustee or agency capacity for others" and therefore, "cannot be used to support the government's own programs." All assets accounted for in an Internal Agency Fund are allocated to the appropriate funds and component units of the government for external financial reporting purposes.

Table 1 shows the number of Fiduciary Funds and Internal Agency Funds held by the County by Fund Group as of June 16, 2011.

**Table 1: COSD Fiduciary Funds and Internal Agency Funds**

<b>Fund Group #</b>	<b>Fund Group Name</b>	<b># of Funds</b>
<b>Fiduciary Funds</b>		
G1110	PENSION TRUST	7
G1120	INVESTMENT TRUST	1,274
G1125	SPECIFIC INVESTMENTS-INVEST TRUST	5
G1131	PROPERTY TAX COLLECTION FUNDS	127
G1132	OTHER AGENCY FUNDS	126
<b>Internal Agency Funds</b>		
G1141	GASB AGENCY GENERAL FUND	129
G1142	GASB AGENCY ROAD FUND	4
G1143	GASB AGENCY FLOOD CONTROL DISTRICTS	1
G1144	GASB AGENCY REDEV AGENCY SR	2
G1146	GASB AGENCY FACILITIES	1
<b>Total</b>		<b>1,676</b>

Source: County Auditor & Controller's Financial Accounting and Reporting Division

**Audit Scope & Limitations** The audit covered Internal Agency Fund activities from FY 2008-09 to current. It further focused on the funds defined as a GASB Agency General Fund in Oracle under Fund Group G1141. OAAS selected a sample of three departments, and reviewed their funds in the Trust Fund/Agency Fund (TF/AF) Update Application to identify funds with incomplete information or involving cash handling. From those funds, a total of nine funds were judgmentally selected and reviewed for detailed analysis (see Table 2).

**Table 2: Sampled Funds**

Dept	Fund #	Fund Name	Year Established	Cash Balance
Department of Animal Services (DAS)	61264	ANIMAL CONT PUBLIC ED	1981	\$13,212
	61281	SO CO ANIMAL SHELTER BLDNG	2001	\$98,178
Assessor/Recorder/County Clerk (ARCC)	61318	RECORDER MODERNIZATION	1985	\$9,568,934
	66060	CO CLERK ADMIN INSTRUCT	1992	\$101,527
Health and Human Services Agency (HHS)	61117	EDGEMOOR OTHER FUNDS	1982	\$29,117
	61237	TRAUMA MANAGEMENT SYSTEM	1984	\$202,877
	61448	AB75 CHIP OTHR HLTH 01 02	2000	\$0
	66033	DHS MAA TCM COUNTY LEAD	1995	\$5,088,399
	66105	POLINSKY CTR DONATIONS	1998	\$442,970

Source: Trust Fund/Agency Fund Update Application as of March 10, 2011

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

## Methodology

OAAS performed the audit using the following methods:

- Mapped key processes to obtain an understanding of the Internal Agency Fund administration process;
- Assessed risks and controls independently and in coordination with the Auditor and Controller's (A&C) Financial Accounting and Reporting (FAR) and Projects, Revenue and Grants Accounting (PRGA) divisions;
- Reviewed applicable State laws and regulations, accounting standards, and County policies and procedures, including related forms;
- Reviewed and analyzed the fund data per Oracle Chart of Accounts, WebXtender imaging application, and TF/AF Update Application;
- Interviewed management and staff from A&C's FAR, PRGA, Accounts Payable, and Information Technology Management Services divisions;
- Interviewed Fund Managers and performed detailed testing on selected funds to determine whether:
  - Departments maintain accurate and complete information for each fund with proper supporting documentation;
  - Interest is allocated in accordance with the interest authority;
  - Departments have adequate review procedures in place to ensure that receipts and disbursements are recorded accurately and completely in accordance with the fund authority and purpose;
  - Departments have adequate monitoring procedures in place to ensure effective utilization of the funds; and

- Departments have adequate controls over cash and negotiable items in place to mitigate the risk of misappropriation, where applicable.

## AUDIT RESULTS

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### Summary

Within the scope of the audit, OAAS concluded that current County policies and procedures (established in 2006) are designed to provide reasonable assurance that Internal Agency Funds are properly administered, utilized, and accounted for in accordance with applicable laws, regulations, and accounting standards. To further strengthen current controls and improve their effectiveness, OAAS offers the following findings and related recommendations. Recommendations that are specific to certain departments are labeled with the departments' abbreviation.

### Finding I:

#### **Improving the Accuracy and Completeness of Key Fund Information Could Increase the Efficiency and Effectiveness of Fund Administration**

The County uses multiple systems to maintain key fund information required for effective fund administration. The key fund information includes fund authority, fund purpose, funding source, disbursement use, interest authority, and interest fund number. Based on the testing performed, each system had limitations and issues as described below, and did not maintain accurate and complete key fund information even if considered together as an aggregate system.

- **Request for the Establishment of a New Fund (Fact Sheet)** – This form is used to establish a new fund. Once the fund has been established, the Fact Sheet is scanned and stored in WebXtender and cannot be revised. The key fund information for three out of nine funds sampled was incomplete and/or inaccurate due to missing fields in older Fact Sheets and insufficient review procedures that were in place prior to 2002.
- **Oracle Chart of Accounts** – There are no fields in Oracle for key fund information other than fund purpose. The fund purpose field is populated for newer funds, but was left blank for older funds.
- **TF/AF** – This system is used by the Fund Managers and Fund Accountants assigned by owning departments to maintain current fund information. Out of nine funds sampled, eight had at least one key fund information field that was either incomplete or inaccurate.

For effective fund administration, the owning departments should maintain accurate and complete key fund information. Since Oracle does not contain the key fund information and the Fact Sheet cannot be revised, the TF/AF is the only system that is currently provided by the A&C for maintaining updated key fund information. The A&C's Year End Closing Manual requires departments to certify and validate that their funds were reviewed and updated in the TF/AF by submitting Form YE-203d at year end.

The following factors contributed to inaccurate and/or incomplete key fund information in TF/AF.

- **Departments' Awareness** – The Fund Managers interviewed were aware of the annual requirement to certify the TF/AF data; however, not all of them understood that the key fields must be filled out completely and accurately based on the fund authority documented on the Fact Sheet. Not all Fund Managers had a clear understanding of their roles and responsibilities regarding maintenance of TF/AF and fund administration in general.
- **Fact Sheet Limitations** – The key fund information for some of the funds sampled was based on the Fact Sheets submitted in the 1980's. The old Fact Sheet did not include some fields required in the new form, and the information documented was sometimes insufficient to comply with the current County policies (see Finding II and III for specific policies). Currently, there is no form that the departments can use to officially submit requests for changes in Fact Sheets.

OAAS also noted that there is not a formal, documented process to review modifications to key fund information. Modifications in TF/AF made by the departments are currently subject to review and approval by the TF/AF Administrator, but they are not always reviewed by the same personnel who review and approve a Fact Sheet. Certain changes to key fund information could require the current fund to be closed and a new fund to be established.

Although all departments sampled submitted Form YE-203d to certify and validate their fund information, they were unable to provide accurate and complete information for certain funds in a timely manner when requested. Not having accurate and complete fund information immediately available increases the risk of inappropriate use of funds and the difficulty for the departments and FAR/PRGA to monitor compliance with current County policies.

**Recommendation: FAR/PRGA.1**

To help departments improve the effectiveness of their Internal Agency Fund administration, FAR/PRGA should:

1. Revise policies to clarify where and how to maintain the key fund information as well as roles and responsibilities of the A&C, departments, and Fund Managers over fund administration;
2. Provide the departments with clear guidance, specific instructions, and training to ensure that accurate and complete key fund information is maintained; and
3. Formalize the process of approving changes in the key fund information and require the departments to submit the information to FAR/PRGA for approval.

**ARCC.1, DAS.1, HHSA.1**

Review the key fund information for each Internal Agency Fund to ensure that it is complete, accurate, and supported by the fund authority. If any discrepancies are identified between the key fund information and current use of the fund, consult with FAR/PRGA and take necessary actions to ensure that the fund is in compliance with the fund authority and County policies.

**Finding II:****Fund Authority Should be Identified and Documented to Comply with County Policies**

The following funds sampled did not have sufficient fund authority to support current use of the fund.

- Fund #61117 (EDGEMOOR OTHER FUNDS) - Fund authority documented in the Fact Sheet did not meet the criteria for fund authority per County policies.
- Fund #61264 (ANIMAL CONT PUBLIC ED) - The Fact Sheet could not be located.

Administrative Manual No.0030-18 Policy #1 states, "To establish a fund, a copy of the authority of legislative order, legal codification, or Board of Supervisors' action (i.e., Resolution, Minute Order, and Board Letter) supporting the fund request form is required."

The Funds #61117 and #61264 were created in 1982 and 1981, respectively. According to FAR/PRGA, in 2002, they strengthened the review procedures to ensure that all requests to establish a new fund are accompanied by sufficient supporting documentation; however, actions were not taken to ensure that the funds that had already been created were adequately supported.

**Recommendation: DAS.2, HHSA.2**

As part of the review of key fund information (recommendation for Finding I), consult with FAR/PRGA and take necessary steps to ensure that the funds are in compliance with current County policies.

**Finding III:****Interest Allocation Should be Set Up in Accordance with the Fund's Interest Authority**

Interest allocation for two of nine funds sampled was not set up in accordance with the fund's interest authority. The interest for Fund #66033 (DHS MAA TCM COUNTY LEAD) had been incorrectly allocated to an unrelated fund (Fund #12500 SHERIFFS INMATE WELFARE) since its establishment in 1995. Prior to completing fieldwork, the interest setup in Oracle was corrected by FAR to direct the interest to the General Fund.

In addition, Fund #61264 was set up as an interest-bearing fund, even though the department could not find any interest authority to support this setup.



The Administrative Manual No.0030-18 Policy #2 states, "Interest earned on all "County-owned" funds is deposited to the General Fund pursuant to Government Code Section 53647; unless specific legislation, codes, or Board of Supervisors' action directs otherwise."

Funds #66033 and #61264 were created in 1995 and 1981, respectively. According to FAR/PRGA, the interest allocation was sometimes set up as requested by the department prior to 2002, and sufficient records were not always maintained to support the setup. FAR/PRGA has since strengthened the review procedures to ensure that the interest allocation for each fund is properly supported by the interest authority; however, actions were not taken to ensure that the interest setup for the funds that had already been created was adequately supported.

Incorrect interest allocation will result in noncompliance with the Interest Authority.

**Recommendation: FAR/PRGA.3**

Provide the departments with necessary instructions for reviewing the Oracle interest allocation setup for each Internal Agency Fund they own to ensure that any discrepancies between the current setup and Interest Authority are identified, reported, and corrected.

In addition, determine the amount of interest incorrectly accumulated in Fund #12500 and transfer the amount back to the General Fund.

**HHSA.3 & DAS.3**

As part of the review of key fund information (recommendation for Finding I), review the interest authority and Oracle interest allocation setup for each fund to ensure that the interest is being allocated in accordance with the interest authority. If any discrepancies are identified, notify the FAR and take necessary actions to ensure the fund's compliance with the interest authority.

**Finding IV: Improved Monitoring of ARCC Funds Will Ensure that Available Funds are Utilized Effectively**

ARCC did not have adequate monitoring procedures in place to track and monitor the activities and balance of their funds. As a result, the ARCC Program Manager and the supervisor were not aware that the balance in Fund #66060 (CO CLERK ADMIN INSTRUCT) was available for use. As of March 10, 2011, the fund's cash balance was \$101,527 and had never been disbursed since the fund was created in 1992.

Departments should have adequate monitoring procedures in place to monitor their funds' activities and balances. Lack of such procedures can prevent available funds from being utilized effectively.

**Recommendation: ARCC.4**

Establish adequate procedures to monitor the Internal Agency Fund activities and balances.

**Finding V: Reconciliation Procedures Should be Strengthened for Fund #61318**

Supporting documentation for reconciliation of disbursements from Fund #61318 (RECORDER MODERNIZATION) could not be provided by ARCC. According to the County's Fiduciary Fund Accounting and Administrative Guide, each department is responsible for the operational management of the trust funds it owns. This responsibility includes ensuring the integrity of internal controls for disbursements, timely cash transfers, and regular reconciliation of funds.

Until FY 2010-11, the total expenditures for this fund could not be easily retrieved from Oracle since there were no specific low org set up to capture the fund's expenditures. The total expenditures were calculated manually at year end and the total amount was subsequently transferred from the fund to the General Fund. For FY 2009-10, \$2,571,082 was disbursed and transferred to the General Fund in July 2010; however, OAAS could not trace the amount back to the recorded expenditures in Oracle due to lack of supporting documentation.

Although ARCC established a low org during FY 2010-11 to account for the expenditures associated with Fund #61318, some expenditures continued to be captured in a different low org until the middle of FY 2010-11. For this reason, according to the ARCC manager, they would not be able to reconcile the disbursements to the recorded amounts in Oracle until FY 2011-12.

Without adequate reconciliation procedures, any discrepancies between the disbursements and recorded expenditures in Oracle would not be identified, increasing the risk of noncompliance with the fund authority.

**Recommendation: ARCC.5**

Document the reconciliation of Fund #61318 to demonstrate that the disbursements from the fund have been made accurately, completely, and in accordance with the fund authority.

**AUDITOR'S NOTE REGARDING BEST PRACTICE FUND MONITORING TOOL**

During the course of the audit, the HHSA's Monthly Trust Fund Report was identified as a best practice tool to monitor fund activities and balances. HHSA management reviews the report monthly and requires a spending plan for some funds as deemed necessary to ensure effective utilization of the funds. The report also contains columns for Fiscal Contact, Program Contact, and the Executive responsible for each fund, establishing clear accountability within HHSA. The report is an effective tool to promote accountability and transparency, one of the County Strategic Plan's Required Disciplines.

## Office of Audits &amp; Advisory Services

C Compliance

R Reliability

E Effectiveness

A Accountability

T Transparency

E Efficiency

VALUE

**DEPARTMENT'S RESPONSE  
(HEALTH & HUMAN SERVICES AGENCY)**



## County of San Diego

HEALTH AND HUMAN SERVICES AGENCY

NICK MACCHIONE, FACHE  
DIRECTOR

MICHAEL VAN MOUWERIK  
EXECUTIVE FINANCE DIRECTOR

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AUG 29 2011

OFFICE OF AUDITS &  
ADVISORY SERVICES

August 25, 2011

TO: James L. Pelletier, Chief of Audits  
Auditor and Controller

FROM: Mike Van Mouwerik, Executive Finance Director  
Financial and Support Services Division

### DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FINAL DRAFT REPORT – AUDIT OF COUNTYWIDE INTERNAL AGENCY FUND ADMINISTRATION

This is the Health and Human Services (HHSA) response to the above report:

**Finding I:** Improving the Accuracy and Completeness of the Key Fund Information Could  
Increase the Efficiency and Effectiveness of the Fund Administration

**OAAS Recommendation:** HHSA .1 Review the key fund information for each Internal  
Agency Fund to ensure that it is complete, accurate, and supported by the fund  
authority. If any discrepancies are identified between the key fund information and  
current use of the fund, consult with FAR/PRGA and take necessary actions to ensure  
that the fund is in compliance with the fund authority and County policies.

**Action Plan:** HHSA is in agreement. HHSA is strengthening its process to review  
key fund information for each internal Agency fund. HHSA has developed and  
documented an internal review process to review funds. These steps include  
consulting with FAR/PRGA to take the necessary action to ensure funds are in  
compliance with fund authority and County policies. We understand that FAR/PRGA  
are forthcoming.

**Finding II:** Fund Authority Should be Identified and Documented to Comply with County  
Policies

**OAAS Recommendation:** HHSA.2 As part of the Review of key fund information  
(recommendation for Finding I), consult with FAR/PRGA and take necessary steps to  
ensure that the funds are in compliance with current County policies.

**Action Plan:** HHSA is in agreement. As described in Finding I's response, HHSA's  
internal review process includes ensuring fund authority is documented. These steps  
will include ensuring compliance with FAR/PRGA directives.

James L. Pelletier, Chief of Audits  
Dept. Response To Audit Recommendations  
Page 2

**Finding III:** Interest Allocation Should be Set Up in Accordance with the Fund's Interest Authority

**OAAS Recommendation:** As part of the review of key fund information (recommendation for Finding I), review the interest authority and Oracle interest allocation setup for each fund to ensure that the interest is being allocated in accordance with the interest authority. If any discrepancies are identified, notify the FAR and take necessary action to sure the fund's compliance with the interest authority.

**Action Plan:** HHSA is in agreement. As described in Finding I's response, HHSA's internal review includes seeking positive confirmation that interest allocation set up is appropriate and compliance with FAR directives.

We noted that Findings/Recommendation IV and V did not specify HHSA funds. No response was prepared for these areas.

**Planned Completion Date:** We anticipate that we can implement the recommendations stated above by October 31, 2011.

**Contact name for Implementation:** Jim Lardy, Finance officer, HHSA

If you have any questions please contact me at (619) 515-6548



MIKE VAN MOUWERIK, Executive Finance Director  
Health and Human Services Agency

MV/dm

cc: Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Nick Macchione, Agency Director  
Andy Pease, Assistant Finance Director  
Jim Lardy, Finance Officer

**DEPARTMENT'S RESPONSE  
(ASSESSOR/RECORDER/COUNTY CLERK)**



**COUNTY OF SAN DIEGO  
OFFICE OF THE  
ASSESSOR/RECORDER/COUNTY CLERK**

**INTER-DEPARTMENTAL CORRESPONDENCE**

September 27, 2011

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**SEP 29 2011**

**OFFICE OF AUDITS &  
ADVISORY SERVICES**

To: James L. Pelletier  
Chief of Audits

From: Ernest J. Dronenburg  
Assessor/Recorder/County Clerk

**Department Response to Audit Recommendations: Audit of Countywide Internal Agency Fund Administration**

**Finding # I: Improving the Accuracy and Completeness of Key Fund Information Could Increase the Efficiency and Effectiveness of Fund Administration**

Although all departments sampled submitted Form YE-203d to certify and validate their fund information, they were unable to provide accurate and complete information for certain funds in a timely manner when requested. Not having accurate and complete fund information immediately available increases the difficulty for the departments to ensure the appropriate use of funds and for FAR/PRGA to monitor department compliance with current County policies.

**OAAS Recommendation ARCC.1:**

Review the key fund information for each Internal Agency Fund to ensure that it is complete, accurate, and supported by the fund authority. If any discrepancies are identified between the key fund information and current use of the fund, consult with FAR/PRGA and take necessary actions to ensure that the fund is in compliance with the fund authority and County policies.

**Action Plan:** Key fund information for each Internal Agency Fund has been reviewed by Fund Accountant. Fund information has been corrected and updated.

**Planned Completion Date:** Complete

**Contact Information for Implementation:**

Grace Apostol  
Senior Accountant  
(619) 531-6109



**Finding # IV: Improved Monitoring of ARCC Funds Will Ensure that Available Funds are Utilized Effectively**

ARCC did not have adequate monitoring procedures in place to track and monitor the activities and balance of their funds. As a result, the ARCC Program Manager and the supervisor were not aware that the balance in Fund #66060 (Co. Clerk Admin. Instruct) was available for use. As of March 10, 2011, the fund's cash balance was \$101,527 and had never been disbursed since the fund was created in 1992.

Departments should have adequate monitoring procedures in place to monitor their funds' activities and balances. Lack of such procedures can prevent available funds from being utilized effectively.

**OAAS Recommendation ARCC.4:**

Establish adequate procedures to monitor the Internal Agency Fund activities and balances.

**Action Plan:** The ARCC will be reviewing and reconciling all trust fund accounts on a monthly basis. A spreadsheet has been created to ensure that all receipts and disbursements are tracked on a monthly basis. All transactions noted in the GL will be reviewed and reconciled to ensure that trust fund expenditures and revenues are being effectively utilized according to statute.

**Planned Completion Date:** Complete

**Contact Information for Implementation:**

Karen Ochoa  
Financial Policy & Planning Officer  
(619) 531-6249

**Finding # V: Reconciliation Procedures Should be Strengthened for Fund #61318**

Supporting documentation for reconciliation of disbursements from Fund # 61318 (Recorder Modernization) could not be provided by ARCC. According to the County's Fiduciary Fund Accounting and Administrative Guide, each department is responsible for the operational management of the trust funds it owns. This responsibility includes ensuring the integrity of internal controls for disbursements, timely cash transfers, and regular reconciliation of funds.

Until FY 2010-11, the total expenditures for this fund could not be easily retrieved from Oracle since there were no specific low org set up to capture the fund's expenditures. The total expenditures were calculated manually at year end and the total amount was subsequently transferred from the fund to the General Fund. For FY 2009-10, \$2,571,082 was disbursed and transferred to the General Fund in July 2010; however, OAAS could not trace the amount back to the recorded expenditures in Oracle due to lack of supporting documentation.

Although ARCC established a low org during FY 2010-11 to account for the expenditures associated with Fund #61318, some expenditures continued to be captured in a different low org until the middle of FY 2010-11. For this reason, according to the ARCC manager, they would not be able to reconcile the disbursements to the recorded amounts in Oracle until FY 2011-12.

Without adequate reconciliation procedures, any discrepancies between the disbursements and recorded expenditure in Oracle would not be identified, increasing the risk of noncompliance with the fund authority.



**OAAS Recommendation: ARCC.5**

Document the reconciliation of Fund #61318 to demonstrate that the disbursements from the fund have been made accurately, completely, and in accordance with the fund authority.

**Action Plan:** All allowable contract expenditures for the Modernization Trust Fund (#61318) were correctly assigned during the fiscal year-end closing period; contract renewals were submitted using the appropriate POETA for the Modernization Trust Fund. In addition, a spreadsheet has been created for this trust fund account to ensure that all receipts and disbursements are tracked on a monthly basis. All transactions noted in the GL will be reviewed and reconciled monthly to ensure that trust fund expenditures and revenues are being effectively utilized according to statute.

**Planned Completion Date:** Complete

**Contact Information for Implementation:**

Karen Ochoa  
Financial Policy & Planning Officer  
(619) 531-6249



ERNEST J. DRONENBURG, JR.  
Assessor/Recorder/County Clerk

EJD:KO:ko

**DEPARTMENT'S RESPONSE  
(DEPARTMENT OF ANIMAL SERVICES)**



## County of San Diego

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Date September 13, 2011

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SEP 19 2011

TO: James L. Pelletier, Chief of Audits  
Auditor and Controller

OFFICE OF AUDITS &  
ADVISORY SERVICES

FROM: Dawn Danielson, RVT, Director  
Animal Services Department

### DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: AUDIT OF COUNTYWIDE INTERNAL AGENCY FUND ADMINISTRATION

**Findings I & II:** Improving the Accuracy and Completeness of Key Fund Information  
Could Increase the Efficiency and Effectiveness of Fund Administration

Fund Authority Should Be Identified and Documented to Comply with  
County Policies

**OAAS Recommendations: I & II.** Review key fund information for each Internal Agency fund to ensure it is complete, accurate, and supported by the fund authority. If any discrepancies are identified between the key fund information and current use of the fund, consult with FAF/PRGA and take necessary actions to ensure that the fund is in compliance with the fund authority and County policies. **II).** Consult with FAR/PRGA and take necessary steps to ensure that the funds are in compliance with current County policies.

**Action Plan Status:** The Department agrees with these OAAS recommendations. We have reviewed our funds for completeness, contacted FAR/PRGA and have updated the TF/AF system for all DAS Trust Funds based on information available. The Department is waiting for further guidance from the A&C regarding specific instructions and training to ensure that accurate and complete key fund information is maintained.

**Planned Completion Date:** December 30, 2011.



TO PROTECT THE HEALTH, SAFETY AND WELFARE OF PEOPLE AND ANIMALS



Department Response to Audit Recommendations:  
Audit of Countywide Internal Agency Fund Administration  
September 13, 2011  
Page 2

**Finding III:** Interest Allocation Should Be Setup in Accordance with the Fund's Interest Authority.

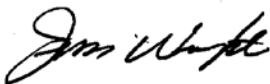
**OAAS Recommendation:** Review the interest authority and Oracle interest allocation setup for each fund to ensure that the interest is being allocated in accordance with the interest authority.

**Action Plan Status:** The Department agrees with this recommendation, has contacted FAR/PRGA and has updated the TF/AF system.

**Planned Completion Date:** September 7, 2011

**Contact Information for Implementation:** Randall Krogman, Administrative Services Manager II, 619.767.2622.

If you have any questions, please contact my staff at (619) 767-2622.

  
Dawn Danielson, RVT, Director  
Department of Animal Services

DD:mlo

cc: Randall Krogman, Administrative Services Manager II, DAS

**DEPARTMENT'S RESPONSE  
(AUDITOR AND CONTROLLER)**



## County of San Diego

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August 25, 2011

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AUG 29 2011

OFFICE OF AUDITS &  
ADVISORY SERVICES

TO: James L. Pelletier  
Chief of Audits

FROM: Tracy M. Sandoval  
Assistant Chief Financial Officer/Auditor and Controller

### DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: AUDIT OF COUNTYWIDE INTERNAL AGENCY FUND ADMINISTRATION

Finding I: Improving the Accuracy and Completeness of Key Fund Information Could Increase the Efficiency and Effectiveness of Fund Administration

OAAS Recommendation: To help departments improve the effectiveness of their Internal Agency Fund Administration, Financial Accounting and Reporting (FAR) /Projects Revenue Grants and Accounting (PRGA) should:

1. Revise policies to clarify where and how to maintain the key fund information as well as roles and responsibilities of the Auditor and Controller, departments, and fund managers over fund administration;
2. Provide the departments with clear guidance, specific instructions, and training to ensure that accurate and complete key fund information is maintained; and
3. Formalize the process of approving changes in the key fund information and require the departments to submit the information to FAR/PRGA for approval.

#### Action Plan:

1. The Auditor and Controller will revise the following policies and procedures, as necessary, to further clarify maintenance of key fund information and roles and responsibilities over fund administration:
  - a. Administrative Manual Policy 0030-18
  - b. Administrative Manual Policy 0030-08
  - c. Trust Fund/Agency Fund (TF/AF) Application Guide
  - d. Trust Fund Establishment Desk Procedures/checklist
  - e. Year End Manual

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2. In addition to updating the policies, procedures, roles and responsibilities listed above, the Auditor and Controller will develop a Learning Management System (LMS) training course that addresses the maintenance of key fund information.
3. The Auditor and Controller will formalize the process for approving changes in key fund information with the creation of a "Change in Key Fund Information" request form, which will be reviewed and approved by the same individuals responsible for establishing new funds.

Planned Completion Date: June 30, 2012

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**Finding III:** Interest Allocation Should be Set Up in Accordance with the Fund's Interest Authority

OAAS Recommendation: Provide the departments with necessary instructions for reviewing the Oracle interest allocation setup for each Internal Agency Fund they own to ensure that any discrepancies between current setup and Interest Authority are identified, reported, and corrected.

In addition, determine the amount of interest incorrectly accumulated in Fund #12500 and transfer the amount back to the General Fund.

Action Plan: The Auditor and Controller will address the review of interest allocation setup in the policies and training discussed in the response to Finding I.

In addition, the Auditor and Controller will determine the amount of interest that was incorrectly accumulated in Fund #12500 and make the corresponding transfer to the General Fund.

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